



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

June 15, 2012

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**RE: Modifications to NYMEX OTC Broker Incentive Program.
NYMEX Submission No. 12-191**

Dear Mr. Stawick:

New York Mercantile Exchange, Inc ("NYMEX," the "Clearing House", or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of modifications to the NYMEX OTC Broker Incentive Program ("Program"). The modifications to the Program will become effective on July 1, 2012.

Exhibit 1 sets forth the terms of the Program. The modifications appear below with additions underscored and deletions ~~overstruck~~.

NYMEX business staff responsible for the Program and the NYMEX legal department collectively reviewed the designated contract market core principles and the derivatives clearing organization core principles (collectively the "Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, NYMEX staff identified the following Core Principles as potentially being impacted;

Designated Contract Market Core Principles: Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants and Compliance with Rules.

The Program and proposed modifications will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and NYMEX market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, NYMEX has implemented systems to track Program participants' volume to ensure proper distribution of earned incentives. The products included in this Program are listed for trading in the open and competitive market. The incentives under the Program do not adversely impact any price discovery that may be taking place in the centralized market. Specifically, incentives under the Program are only available to brokers that submit previously matched third-party trades in the relevant products. Principals who submit trades or executed orders for their own, or through a proprietary account, are excluded from participation in the Program and are not eligible for incentives. The initiating party is the one who selects the venue, not the broker, and the incentives are earned by the broker well after venue selection is made.

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Thus, the Program does not influence the choice made by the principals regarding the execution venue. Participants in the Program will be selected by NYMEX staff using criteria as further stated in Exhibit 1. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practice. The Program is subject to applicable regulations and NYMEX rules.

Derivatives Clearing Organization (“DCO”) Core Principles: Financial Resources, Participant and Product Eligibility and Rule Enforcement.

The incentives in this Program will have a non-material impact on the financial resources of the Clearing House. As such, it will not prevent the Clearing House from demonstrating that it has adequate financial, operational, and managerial resources to discharge its responsibilities as a DCO. Participants will be selected based on the criteria set forth in Exhibit 1. The incentives provided under the Program will not impact the Clearing House’s ability to perform its monitoring or enforcement obligations under the CEA. Chapter 4 of the NYMEX rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. The Program is subject to applicable regulations and NYMEX rules.

NYMEX certifies that the Program and proposed modifications comply with the CEA and the regulations thereunder. There were no substantive opposing views to this Program or the proposed modifications.

NYMEX certifies that this submission has been concurrently posted on the NYMEX website at <http://www.cmegroup.com/market-regulation/rule-filings.html>

If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at robert.lev@cmegroup.com, or contact me at 212-299-2200. Please reference our NYMEX Submission No. 12-191 in any related correspondence.

Sincerely,

/s/ Christopher Bowen
Managing Director, Chief Regulatory Counsel

Attachments

EXHIBIT 1

NYMEX OTC Broker Incentive Program

Program Purpose

The purpose of this Program is to encourage brokers to increase their volume in the products listed below, enhancing market liquidity for those products. A more liquid contract benefits all participants in the market.

Product Scope

All NYMEX OTC energy products that are submitted for clearing and cleared by the Clearing House with the exception of Light Sweet Crude Oil futures, Natural Gas Futures, Heating Oil Futures, RBOB Gasoline Futures, Crude Oil Options, Henry Hub Natural Gas Options, Heating Oil Options and RBOB Gasoline Options ("Products"):

Eligible Participants

There is no limit to the amount of participants that may register for the Program. The Program is open to all Voice Brokers, Floor Brokers, Introducing Brokers, Associated Persons and Futures Commission Merchants who submit matched trades via the CME ClearPort clearing systems for 3rd parties and all CFTC/NFA registrants who submit orders to, and which are executed on, the CME ClearPort trading platform. Principals who submit trades or executed orders for their own, or a proprietary account, are excluded from participation in the Program.

Program Term

Start date is January 31, 2012. End date is ~~June 30, 2012~~ December 31, 2012.

Hours

N/A

Program Obligations

Participants must disclose the accounts in which they plan to trade the Products and receive the incentives below. All participants must provide NYMEX with daily settlement data for requested Products.

Program Incentives

Upon meeting all Program obligations, as determined by NYMEX, participants will be eligible for the following incentives:

Rebates: With the exception of Henry Hub Natural Gas Look-Alike Options, for each previously matched trade in any of the Products that a participant submits to the Clearing House for clearing that successfully clears, the participant will receive a rebate of twenty percent (20%) of the net clearing fees collected by the Clearing House for such trade.

- ~~1. For All previously North American Products. For North American Natural Gas, Crude Oil, Refined and Electricity products that a participant clears through the Clearing House ("North American~~

Products”), the participant will receive a rebate of 20% of the net clearing fees collected from the participant by the Clearing House.

2. ~~European Products.~~ For European Crude, European Fuel Oil, European Gasoil and European Light End products that a participant clears through the Clearing House (“European Products”), the participant may receive progressive rebates based on the net clearing fees collected from the participant by the Clearing House in accordance with the following

	Net Clearing Fees	Rebate
European Crude	Between ————— \$0 \$10,000	25 %
	Between ————— \$10,001 \$25,000	30 %
	Between ————— \$25,001 \$50,000	35 %
	Exceeds ————— \$50,001	40 %
European Fuel Oil	Between ————— \$0 \$25,000	25 %
	Between ————— \$25,001 \$50,000	30 %
	Between ————— \$50,001 \$75,001	35 %
	Exceeds ————— \$75,001	40 %
European Gasoil	Between ————— \$0 and \$25,000	25 %
	Between ————— \$25,001 and \$50,000	30 %
	Between ————— \$50,001 and \$100,000	35 %
	Exceeds ————— \$100,001	40 %
European Light Ends	Between ————— \$0 and \$25,000	25 %
	Between ————— \$25,001 and \$75,000	30 %
	Between ————— \$75,001 and \$150,000	35 %
	Exceeds ————— \$150,001	40 %

3. ~~Asian Products.~~ For Asian Crude, Asian Fuel Oil, Asian LPG Asian Naphtha and Gasoline and Asian Middle Distillate products that a participant clears through the Clearing House (“Asian Products”), the participant may receive regressive rebates based on the net clearing fees collected from the participant by the Clearing House in accordance with the following:

	Net Clearing Fees	Rebate
Asian Crude	Between \$0 and \$5,000	25%
	Between \$5,001 and \$15,000	35%
	Exceeds \$15,001	55%
Asian Fuel Oil	Between \$0 and \$10,000	25%
	Between \$10,001 and \$30,000	35%
	Exceeds \$30,001	55%
Asian LPG	Between \$0 and \$1,000	25%
	Between \$1,001 and \$2,000	35%
	Exceeds \$2,001	55%
Asian Naphtha and Gasoline	Between \$0 and \$5,000	25%
	Between \$5,001 and \$15,000	35%
	Exceeds \$15,001	55%
Asian Middle Distillates	Between \$0 and \$1,000	25%
	Between \$1,001 and \$10,000	35%
	Exceeds \$10,001	55%

4. Henry Hub Natural Gas Look-Alike Options (LN). For Henry Hub Natural Gas Look-Alike Options that a participant, including its subsidiaries, clears through the Clearing House over a calendar quarter (“Measurement Period”), the participant may receive progressive rebates based on the net clearing fees collected from the participant by the Clearing House in accordance with the following:

Number of Contracts in LN Submitted for Clearing during Measurement Period	Percentage Applied to all Eligible Products
0-4,000,000	20%
Between 4,000,001-4,500,000	25%
Between 4,500,001-5,000,000	30%
Exceeds 5,000,000	35%

Monitoring and Termination of Status

NYMEX shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements.